USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 2/13/2004

GAIN Report Number: UK4002

United Kingdom

Trade Policy Monitoring

UK announces CAP reform implementation plans

2004

Approved by:
Peter O. Kurz
U.S. Embassy

Prepared by:
Steve Knight

Report Highlights:
Following consultations, England, Wales, Scotland and Northern Ireland have this week announced their plans for the implementation of the CAP reform package agreed last year in Luxemburg.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
London [UK1]
[UK]

On Thursday, February 12, the UK Government's Secretary of State for Environment, Food and Rural Affairs, Margaret Beckett, announced how England would implement the agreement to reform the Common Agricultural Policy (CAP) reached by EU Agriculture Ministers in June 2003. This followed separate announcements in Scotland, Wales and Northern Ireland by their respective devolved administrations. The agreement on the Common Agricultural Policy (CAP) reform gave Member States some discretion in terms of implementation within their member state or within regions of their member state.

Although the European Commission initially intended that the new Single Farm Payment (SFP) should normally be paid on the basis of historic payments, EU Agriculture Ministers negotiated into the final CAP agreement the additional ability to make the SFP on the basis of either a regional flat rate area payment or a mixture of historic and regional area payment. Each of the UK's four administrations has chosen a slightly different approach, but all have chosen to fully decouple albeit involving different methodologies.

In England, the Secretary of State announced that she intends to introduce a scheme which ultimately moves to a flat rate regional payment. There will be a transition period of eight years during which individual producers will receive a payment comprising of a combination of the historic and regional area payment options. The details are as follows:

- England will decouple fully in 2005 and move towards a flat rate Single Farm Payment to farmers.
- Only farmers active in 2005 will qualify for payment.
- There will be an eight-year transition period to a flat rate, ending in 2012. During this transition, the value of individual entitlements will initially be based to a large extent on individual historic receipts from existing schemes. This element will reduce as the flat rate element increases. The flat rate element will be 10% in 2005, 15% in 2006, 30% in 2007, 45% in 2008, 60% in 2009, 75% in 2010, 90% in 2011 and 100% in 2012.
- England will be split into two regions - land in the severely disadvantaged areas and all other land in England. Different flat rates will apply in these regions.
- There will be no use of 'National Envelopes' in England.

In Northern Ireland, full decoupling of all direct payments in the beef, sheep and arable sectors will be introduced from 2005. A so-called static vertical hybrid model of decoupling will be introduced. The flat rate area based component of entitlements will be funded from:

- 50 per cent of the budget arising from the decoupled Beef Special Premium, plus;
- 50 per cent of the decoupled Slaughter Premium budget (including the heifer top-up), plus;
- 35 per cent of the decoupled Sheep Annual Premium budget plus;
- 80 per cent of the decoupled LFA sheep supplement plus;
- 20 per cent of decoupled Arable Area Payments budget.

This basic entitlement value will be topped up for each individual farmer based on his/her own historic claims pattern using the remaining decoupled monies left in the budget from the above schemes and all of monies arising from the suckler cow premium, the extensification premium and the dairy premium schemes.

Fewer specifics are currently available for Scotland and Wales but, as for England and Northern Ireland, both will fully decouple at the earliest opportunity, this being January 1, 2005. They both intend to base their SFP on historic activity during the 2000-2002 reference period. In the case of Wales, payments will be flat rate area based and hybrid (a combination of area and historic elements).

Industry reaction has thus far been fairly positive. While it has been made clear by a number of market players, including the National Farmers Union, that purely historic payments would have been the preferred methodology, there appears to be a reluctant acceptance that this would not necessarily have been sustainable in the long term for the UK. For England specifically, the long transition period has been welcomed.

As would be expected, questions are already being raised on a number of fronts, these varying from the question of hardship cases, changes to business arrangements between the end of the reference period and the start of the new scheme, land transfer and land occupancy issues, common land and specific tenancy related issues, the trading of entitlements, changes to set-aside rules, cross region holdings and the implications for previously unsupported producers. That said, these are all questions that will be addressed in due course and are inevitable at the this time of major change for the UK, and EU, agricultural support system.

As more details on the specific packages emerge they will likely be available as follows:

For England:

http://www.defra.gov.uk/farm/capreform/index.htm

For Wales:

http://www.wales.gov.uk/index.htm

For Scotland:

http://www.scotland.gov.uk/

For Northern Ireland:

http://www.dardni.gov.uk/